



Treasury Inspector General for Tax Administration Office of Audit

COMPUTER PROGRAMMING CHANGES ARE NEEDED TO REDUCE DELAYS IN REISSUING SOME UNDELIVERED REFUND CHECKS

Issued on August 22, 2008

Highlights

Highlights of Report Number: 2008-30-155 to the Internal Revenue Service Commissioner, Wage and Investment Division.

IMPACT ON TAXPAYERS

When the United States Postal Service determines that a tax refund check is undeliverable because the address to which the check was sent is not the taxpayer's current or correct address, the check is returned to the Financial Management Service. The Internal Revenue Service (IRS) corresponds with the taxpayer to try to obtain a current address, even in some cases when the IRS already has an updated address on record for the taxpayer. This process delays receipt of the refund by the taxpayer, and the IRS generally does not pay interest to the taxpayer for the time required to get the refund check reissued.

WHY TIGTA DID THE AUDIT

This audit was conducted as part of the Treasury Inspector General for Tax Administration Fiscal Year 2007 Annual Audit Plan. The overall objective of this review was to determine the frequency of occurrence and the reasons why tax refund checks returned as undeliverable were later reissued to the same addresses to which notices were delivered to taxpayers asking for updated address information.

WHAT TIGTA FOUND

IRS notices were sent to and returned by taxpayers whose refund checks were returned by the United States Postal Service as undeliverable. TIGTA found that some taxpayers indicated that the address to which the notice was mailed was, in fact, their current address. Working with the IRS, TIGTA auditors determined that many of the notices were not sent to the same addresses as the original undelivered refund checks because these taxpayers had address changes posted to their accounts between the time the original refund checks were issued and the time the checks were returned as undeliverable. Although these taxpayers had informed the IRS of their new addresses, the IRS did not reissue their refund checks to these new addresses. Rather, the IRS sent notices to their new addresses asking them for new

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addresses. As a result, these taxpayers received unnecessary notices and experienced avoidable delays in receiving their refund checks

TIGTA estimates that over a 5-year period, 73,795 taxpayers could be burdened by being asked to provide information the IRS already has and by having delivery of their refund checks delayed. Also, over 5 years, the IRS could incur additional expenses of \$36,160 to mail the unnecessary notices. This could occur because the IRS has not properly programmed its computer system to reissue undelivered refund checks when it had new addresses on record for the affected taxpayers.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS revise its computer programming to automatically reissue an undelivered refund check when an address change is reflected on a taxpayer's account between the date on which the check was originally issued and the date on which it is returned as undeliverable. This programming should be implemented on both individual and business accounts.

IRS management agreed with the recommendation. A programming change to implement the recommendation was submitted on June 27, 2008, with a requested operational date of January 15, 2010.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2008reports/200830155fr.pdf>.

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